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United States General Accounting Office

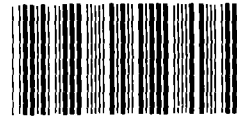
GAO

Report to the Chief, Forest Service, U.S.  
Department of Agriculture

November 1987

# NATIONAL FORESTS

## Timber Utilization Policy Needs to Be Reexamined



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**Resources, Community, and  
Economic Development Division**

B-229084

November 17, 1987

Mr. F. Dale Robertson  
Chief, Forest Service  
U.S. Department of Agriculture

Dear Mr. Robertson:

As part of our ongoing evaluation of the Forest Service's timber sales program, we have examined whether the Service is complying with its timber utilization policy requiring that timber be offered for sale at its full tract value. Under that policy, the national forests, as part of their timber sales program, are to use all of the timber material in a forest. As a general rule, the total appraised value of a tract of timber, "tract value," will not be reduced in order to sell a species, size, or class of material that has a negative appraised value. Tract value is the sum of the appraised values of all species and products with a positive appraised stumpage price.<sup>1</sup>

We found that timber was offered for sale at less than its tract value in 39 percent of the sales in 17 national forests in Montana and Idaho in fiscal years 1985 and 1986. Further, although forest managers are required to calculate the tract value and the costs of removing salable but uneconomical trees from a tract, we found that such calculations were not made. We are making a recommendation to you on page 4 that addresses these problems.

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**Objectives, Scope, and  
Methodology**

To determine whether the Service was complying with its own timber utilization policy, we examined the policy and the procedures used to appraise timber offered for sale. We conducted our review in Montana and Idaho. The 20 national forests in these states accounted for about 5 percent of the Service's timber sales made in fiscal years 1985 and 1986. We obtained the data needed for the 20 forests from the Service's Report of Timber Sale and Appraisal Summary (Form 2400-17) maintained at the U.S. Department of Agriculture's Computer Center in Fort Collins, Colorado.<sup>2</sup>

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<sup>1</sup>Stumpage price is the selling value of wood products to be manufactured from the timber, minus logging and manufacturing costs and an allowance for profit margin.

<sup>2</sup>Two national forests in Montana and one in Idaho did not have any sales recorded in fiscal years 1985 and 1986.

For each sale, we multiplied the advertised rates for the positively valued species by their volumes, summed the results, and subtracted the total minimum bid price—the lowest price the Service would accept for the timber—from the total. For example, the Tuff Creek sale on the Idaho Panhandle national forests in fiscal year 1985 included four species of timber. Two species were appraised at negative stumpage prices, and two were appraised at positive stumpage prices. The sum of the appraised value of both species with positive stumpage was \$234,021. The total minimum bid at which the sale was advertised, however, was only \$143,274—\$90,747 less than the tract value.

Our methodology has limitations. In order to determine the tract value of timber, logging costs associated with positively appraised species needed to be segregated from the total logging costs (which included the costs for the negatively appraised species). The Forest Service timber appraisers did not, however, make the required calculations that would have shown the costs separately. Therefore, we were unable to take into account any additional logging costs that were applied to the negatively valued species. In addition, we did not make any calculations using the actual value received for the timber; therefore, our analysis is limited to comparing what the minimum bid price should have been with the minimum bid price at which the Service actually offered the tract.

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## Many Tracts Offered at Less Than Tract Value

Of the 657 timber sales recorded in fiscal years 1985 and 1986 for 17 national forests in Montana and Idaho, 254 (about 39 percent) were offered for sale at amounts less than our calculation of the tract value, which is based on the positively valued timber. Of these, 128 were for fiscal year 1985 and 126 for fiscal year 1986. The difference between the total value of the positively valued timber and the advertised minimum bid price was about \$16 million (\$10.1 million in 1985 and \$5.9 million in 1986). (See app. I.)

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## Problems With Implementing Timber Utilization Policy

When regions 1 and 4, which include Montana and Idaho, respectively, appraised timber for future sale, they did not make the required calculations to determine the tract value. The Forest Service's basic timber utilization policy, section 2403.25 of the Forest Service manual, states that, as a general rule, the total appraised value of all positively valued timber on a tract of land (the tract value) will not be reduced in order to use a specific species, size, or class of material (such as pulp wood or green timber) that is on the tract.

To determine the tract value, paragraph four of section 2422.56 of the manual states that in the event that the appraised value for one or more species is negative, the tract value must be calculated using only that material with positive appraised value. This calculation is to include only the returns from and the costs of logging the volume of species, size, or class of material with positive stumpage values. This tract value is the floor established by the utilization policy; the tract is not to be sold below this minimum.

Tract value appraisals were not made, according to region 1 and 4 officials. Regional and headquarters Forest Service officials (Timber Management and Land Management Planning staffs) said that the tract value appraisals were not made because the utilization policy is no longer relevant in view of the planning, multiple-use (such as outdoor recreation, watershed, and wildlife and fish habitat), and sustained-yield requirements that are included in such laws as the National Forest Management Act, the Multiple-Use Sustained-Yield Act, and the Forest and Rangeland Renewable Resources Planning Act.

For example, plans for a particular section of a forest may call for improving wildlife and fish habitat areas, in addition to offering timber for sale. In order to attain the multiple-use considerations as well as the sale, the advertised price, according to these officials, could be set below the tract value; the sale could be justified on the basis of the improvements being made, even though the timber utilization policy was not followed. The Forest Service manual, however, does not permit such a reduction in the advertised price.

## Post-Cutting Silvicultural Treatment Costs Are Not Included in Appraising Tract Values

In addition to the above problem, regions 1 and 4 did not follow the manual's requirement to calculate the cost of removing salable but uneconomical trees for silvicultural treatment purposes.<sup>3</sup> If usable trees must be damaged or destroyed during the course of ordinary logging operations, they must be removed by the purchaser, according to paragraph 5e of section 2422.56. This cost should be determined and subtracted from the tract value. Paragraph 5e also states that if uneconomical trees must be cut for silvicultural purposes, the cost of cutting such trees after the purchaser has finished logging the area is also to be determined and an appropriate deduction made from tract value.

<sup>3</sup>Silvicultural treatments include, among others, site preparation, release, and thinning of tree stands.

These exceptions indicate that the Forest Service is required to prepare analyses determining the post-cutting costs and showing that those specific costs were subtracted from the tract value. We did not find any such analyses in the two regions in our review. Regional officials advised us that the analyses were not made. The same planning, multiple-use, and sustained-yield considerations were cited for not analyzing the post-cutting costs.

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## Conclusion

Under current Forest Service policy, national forest timber is not to be offered for less than tract value, except to accomplish certain silvicultural purposes, and then only to the extent of accomplishing those purposes. The Forest Service has not followed that policy in the regions included in our review, and some Forest Service officials said that the policy may no longer be relevant in view of other multiple-use considerations. We believe that the Forest Service needs to resolve the apparent conflict between its stated policy and the procedures it is actually following in managing the national forest timber program.

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## Recommendation

Because the Service has a policy on record that it is not following, we recommend that the Chief of the Forest Service reconsider the relevance of the timber utilization policy under present conditions. Depending on the outcome of this analysis, policy and procedures should be updated or compliance with the manual's provisions should be enforced.

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We would appreciate your comments regarding any action you intend to take regarding our recommendation. We wish to express our appreciation for the assistance and cooperation of Forest Service personnel in the conduct of this assignment.

Sincerely yours,



Brian P. Crowley  
Senior Associate Director



# Sales Where Total Value of Positively Valued Timber (Tract Value) Exceeded Total Minimum Bid

State and national forest	FY 1985		FY 1986		Total	
	No. of sales	Amount <sup>a</sup>	No. of sales	Amount <sup>a</sup>	No. of sales	Amount <sup>a</sup>
<b>Montana</b>						
Beaverhead	0	\$0	1	\$1,786	1	\$1,786
Bitterroot	4	364,720	6	36,259	10	400,979
Custer	0	0	0	0	0	0
Deerlodge	0	0	0	0	0	0
Flathead	10	250,540	4	34,778	14	285,318
Gallatin	0	0	1	1,088	1	1,088
Helena	1	3,806	6	3,827	7	7,633
Kootenai	20	480,301	17	47,050	37	527,351
Lewis & Clark	1	2,440	0	0	1	2,440
Lolo	3	10,084	1	4,145	4	14,229
<b>Total</b>	<b>39</b>	<b>\$1,111,891</b>	<b>36</b>	<b>\$128,933</b>	<b>75</b>	<b>\$1,240,824</b>
<b>Idaho</b>						
Boise	13	\$2,667,070	21	\$2,640,415	34	\$5,307,485
Caribou	0	0	0	0	0	0
Challis	0	0	4	134,761	4	134,761
Clearwater	19	870,695	11	180,658	30	1,051,353
Nezperce	7	224,788	9	318,843	16	543,631
Panhandle	30	696,741	24	918,746	54	1,615,487
Payette	13	4,184,057	12	1,034,238	25	5,218,295
Salmon	0	0	3	214,791	3	214,791
Sawtooth	0	0	1	22,342	1	22,342
Targhee	7	296,027	5	264,088	12	560,115
<b>Total</b>	<b>89</b>	<b>8,939,378</b>	<b>90</b>	<b>5,728,882</b>	<b>179</b>	<b>14,668,260</b>
<b>Total</b>	<b>128</b>	<b>\$10,051,269</b>	<b>126</b>	<b>\$5,857,815</b>	<b>254</b>	<b>\$15,909,084</b>

<sup>a</sup>The difference between the total value of the positively valued timber and the appraised minimum bid



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